Department of Finance

News Release

Immediate release

Ottawa, November 21, 2007
2007-089

Government of Canada Is Reducing Taxes to Lowest Level in 50 Years

The Honourable Jim Flaherty, Minister of Finance, today tabled in the House of Commons the Budget and Economic Statement Implementation Act to effect the $60 billion of broad-based tax relief proposed in the October 30, 2007 Economic Statement. The Act also includes Budget 2007 measures not included in the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007.

"Our government is reducing taxes across the board for every Canadian individual and business that pays tax," said Minister Flaherty. "As a result of our efforts since taking office, taxes will fall by some $190 billion over this and the next five years to their lowest level since the early 1960s. This is an achievement of which we can all be proud."

Building on the initial goods and services tax (GST) reduction introduced in Budget 2006, the Government proposes to reduce the GST by an additional percentage point to 5 per cent, effective January 1, 2008. For consumers, the total savings from the 2-percentage-point reduction will amount to approximately $12 billion next year. The GST credit will be maintained at its current level, translating into more than $1.1 billion in benefits annually for low- and modest-income Canadians.

Among other measures, the Government is proposing additional tax relief for individuals and families by:

- Increasing the basic personal amount to $9,600 retroactive to January 1, 2007, with a further increase to $10,100 on January 1, 2009.
- Reducing the lowest personal income tax rate to 15 per cent from 15.5 per cent, retroactive to January 1, 2007.
- Introducing a new Working Income Tax Benefit.
- Eliminating income tax on elementary and secondary school scholarships.
- Enhancing the children's fitness tax credit.
- Expanding the scope of the public transit tax credit.

"We are also ushering in a new era of declining business taxation that will strengthen our economy and further encourage job creation," Minister Flaherty said. "By 2012, Canada's corporate income tax rate will be the lowest among the major industrialized economies."

The Government proposes to:

- Reduce the general corporate income tax rate to 15 per cent by 2012, starting with a 1-percentage-point reduction in the rate in 2008 beyond the already legislated reductions.
- Reduce the small business income tax rate to 11 per cent in 2008, one year earlier than scheduled.
- Increase the lifetime capital gains exemption for small business owners, farmers and fishers to $750,000.
- Increase the deductible percentage of meal expenses for long-haul truck drivers.
- Extend the mineral exploration tax credit.
- Ease tax remittance and filing requirements for small business.

The Budget and Economic Statement Implementation Act will also bring into force Prime Minister Stephen Harper's October 10, 2007 announcement providing for a guarantee that Nova Scotia and Newfoundland and Labrador will do at least as well as they would have under the previous Equalization formula and 2005 Offshore Accord if they permanently opt into the new Equalization formula.

The legislation also proposes to eliminate withholding tax on arm's length outbound interest payments to residents of all countries effective January 1, 2008. Based on the proposal in Budget 2007 and building on the Protocol to the Canada-U.S. Tax Treaty signed September 21, 2007, this major step forward in Canada's international tax policy will increase access to foreign capital markets and reduce costs for Canadians and Canadian businesses that borrow from foreign lenders.

Budget 2007 measures in the Budget and Economic Statement Implementation Act include measures released in draft on October 2, 2007 (News Releases 2007-074 and 2007-075), as well as proposals relating to the issuance of T3 information slips released in draft on July 4, 2007 (News Release 2007-058). Revisions to the explanatory notes for certain of these measures based on public comments received, as well as draft regulations to implement particular international tax measures and explanatory notes for measures in the Act that were announced in the 2007 Economic Statement are available free of charge on the Department of Finance website. Printed copies are available for $10 from the Department of Finance Distribution Centre at 613-995-2855.

For further information, media may contact:

Chisholm Pothier
Press Secretary
Office of the Minister of Finance
613-996-7861

David Gamble
Media Relations
Department of Finance
613-996-8080

www.fin.gc.ca

If you would like to receive automatic e-mail notification of all news releases, please visit the Department of Finance website at www.fin.gc.ca/scripts/register_e.asp